

**TODAY'S VISION: TOMORROW'S REALITY – MANAGING RISING RISK
EXPOSURE THROUGH INNOVATIVE SOLUTIONS!!**

**IIZ ANNUAL CONFERENCE 2016: SUN 13 – WED 16 NOVEMBER 2016 –
ELEPHANT HILLS RESORT VICTORIA FALLS**

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THE



of

Life Assurance & Funeral Assurance

Is there a Future for Life and Funeral Assurance?



- In Africa;
 - populations are under insured.
 - Penetration of insurance is very low even in relatively affluent countries.
- Access to insurance product only starts to increase quickly in the upper middle income brackets
- Mobile presents big opportunities to reach new markets and make insurance even more accessible to existing customers
- There is potential for more insurance growth in Africa especially outside of South Africa.

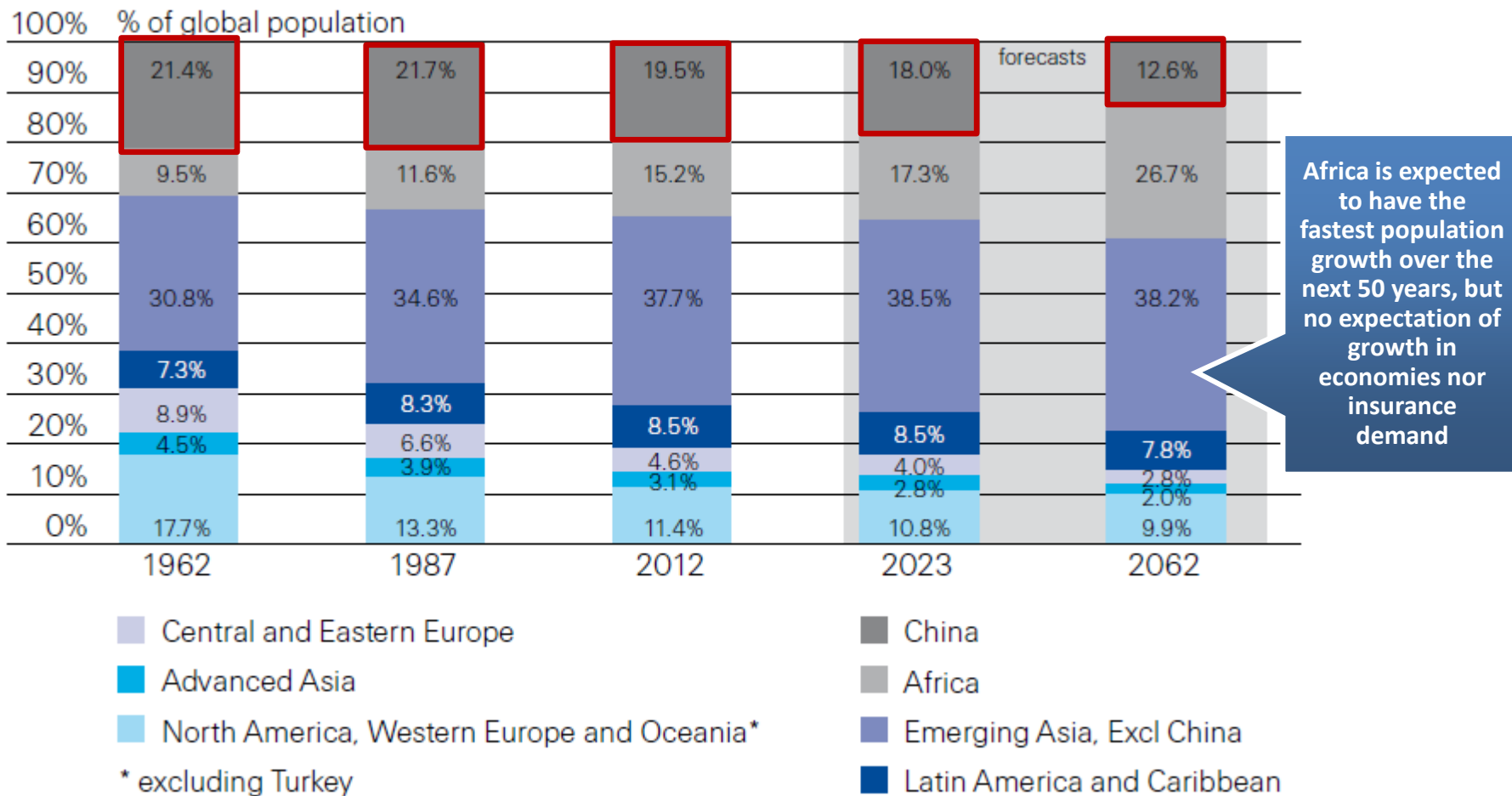
Is there a Future for Life and Funeral Assurance?

| Region | Premiums (USDm) | Penetration Rate (Premiums/GDP) | Population (m) | Density (Premiums per Capita, USD) | AUM 2012 (USDm) | Projected AUM 2018 (USDm) |
|--------------------------|--------------------|------------------------------------|----------------|--|--------------------|------------------------------|
| South Africa | 54 871 | 14.28% | 52 | 1 047 | 233 518 | 312 499 |
| Maghreb region | 5 097 | 1.18% | 88 | 58 | 11 651 | 16 237 |
| Southern Africa excl. SA | 3 402 | 2.09% | 40 | 85 | 8 577 | 14 678 |
| Egypt | 1 818 | 0.68% | 81 | 23 | 6 127 | 11 289 |
| Other | 1 765 | 0.53% | 466 | 4 | 4 477 | 7 164 |
| East Africa | 1 837 | 1.92% | 139 | 13 | 3 972 | 8 778 |
| Nigeria | 1 828 | 0.68% | 169 | 11 | 3 090 | 4 977 |
| Other West Africa | 791 | 2.00% | 25 | 31 | 775 | 1 008 |
| Francophone West Africa | 244 | 1.33% | 20 | 12 | 619 | 987 |
| Central Africa | 239 | 1.30% | 2 | 149 | 606 | 850 |
| Total | 71 891 | 3.56% | 1 082 | 66 | 273 412 | 378 467 |

African Insurance Market Figures

Population Distribution by Region: 1962-2062F

Enormous population shifts will impact insurance demand over the next half century

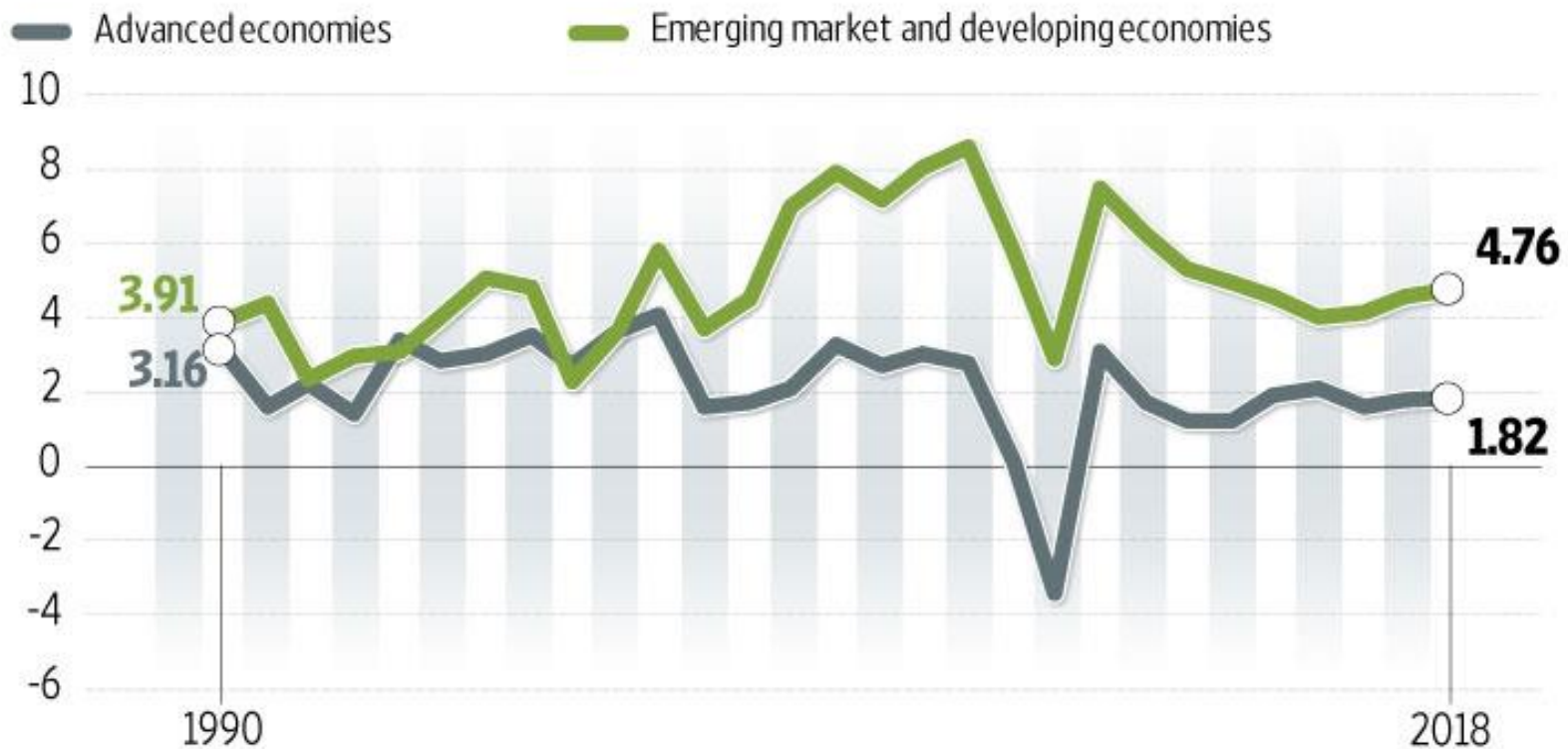


Emerging Markets & Developing Economies vs. Advanced Economies

Chart 1

Emerging market growth is picking up

Gross domestic product, constant prices Percent change



International Monetary Fund, World Economic Outlook Database, October 2016

Forces driving growth/Hurdles in Life Insurance growth in Africa

Consumer
Behaviour

Low
Penetration
rates

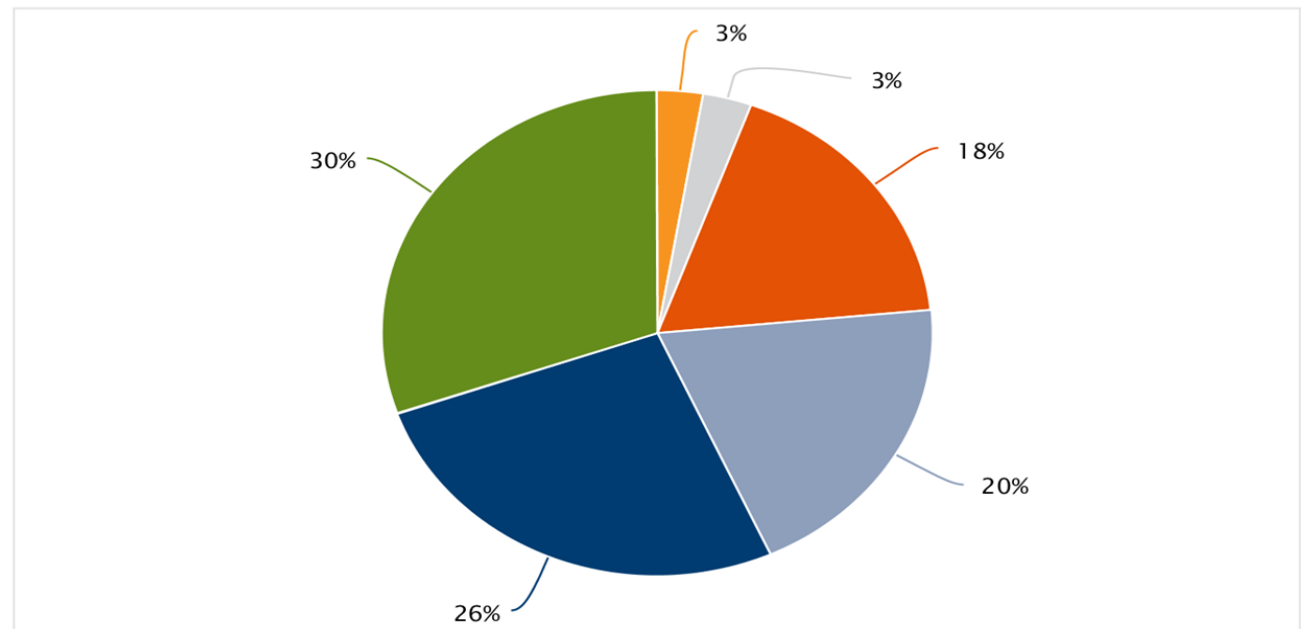
Changes in
Demographics

Urbanisation
& rising
incomes

Technology

Hurdles in insurance growth

Reasons for not having insurance



Do not settle claims No perceived need for insurance Don't believe in insurance
Don't know where to get insurance Can't afford insurance Unaware of benefits of insurance

Source: EFINA

The World is Changing

Socioeconomic Changes

- Customer Behaviours
- Demographic Shifts
- Economic

Technological Changes

- Internet of Things, Big Data Analytics, Medical Advances, Devices & Sensors, Automation
- Software & Applications, Cloud Computing

Environmental Changes

- Climate Change & Catastrophes, Sustainability, Pollution

Political Changes

- Regulatory & Legislation Reforms, Political decisions, Policy changes, interest rates, Terrorism, Tax Treatment, Sharia Compliance (Takaful)

Socioeconomic Issues Impacting Life & Funeral Assurance



- Customer Behaviours
- Demographics Shift
- Economic

INSURANCE JOBS OF THE FUTURE

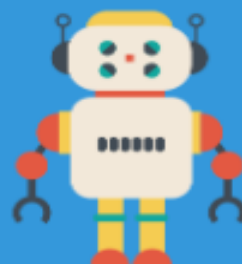


Digital Forensic Investigator

Social media trawlers who check digital alibis to confirm insurance claims are bonafide.

Time to adoption: 1 year

Barrier to adoption: insurer's firewalls



Cyber Actuary

Works out the personal risk and loss associated with the hack of an insured's digital profile.

Time to adoption: 3 years

Barrier to adoption: stronger passwords



Drone Pilot

Pilots multiple drones to take photos of claims for assessment.

Time to adoption: 5 years

Barrier to adoption: rogue birds



Telemedicine Nurse

A nurse located anywhere in the world that administers medical checks via video conference.

Time to adoption: 5 years

Barrier to adoption: medical phobias



IOT Solution Architect

Figures out how to integrate data from connected devices into automated claims and approvals.

Time to adoption: 7 years

Barrier to adoption: IOT standard

WHAT ELSE DOES THE FUTURE HOLD?

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The Evolving Landscape

Digitalize

Analytics

Customer Experience & Evolving Expectations

Changing Business Models

Mimicking the Retail Experience

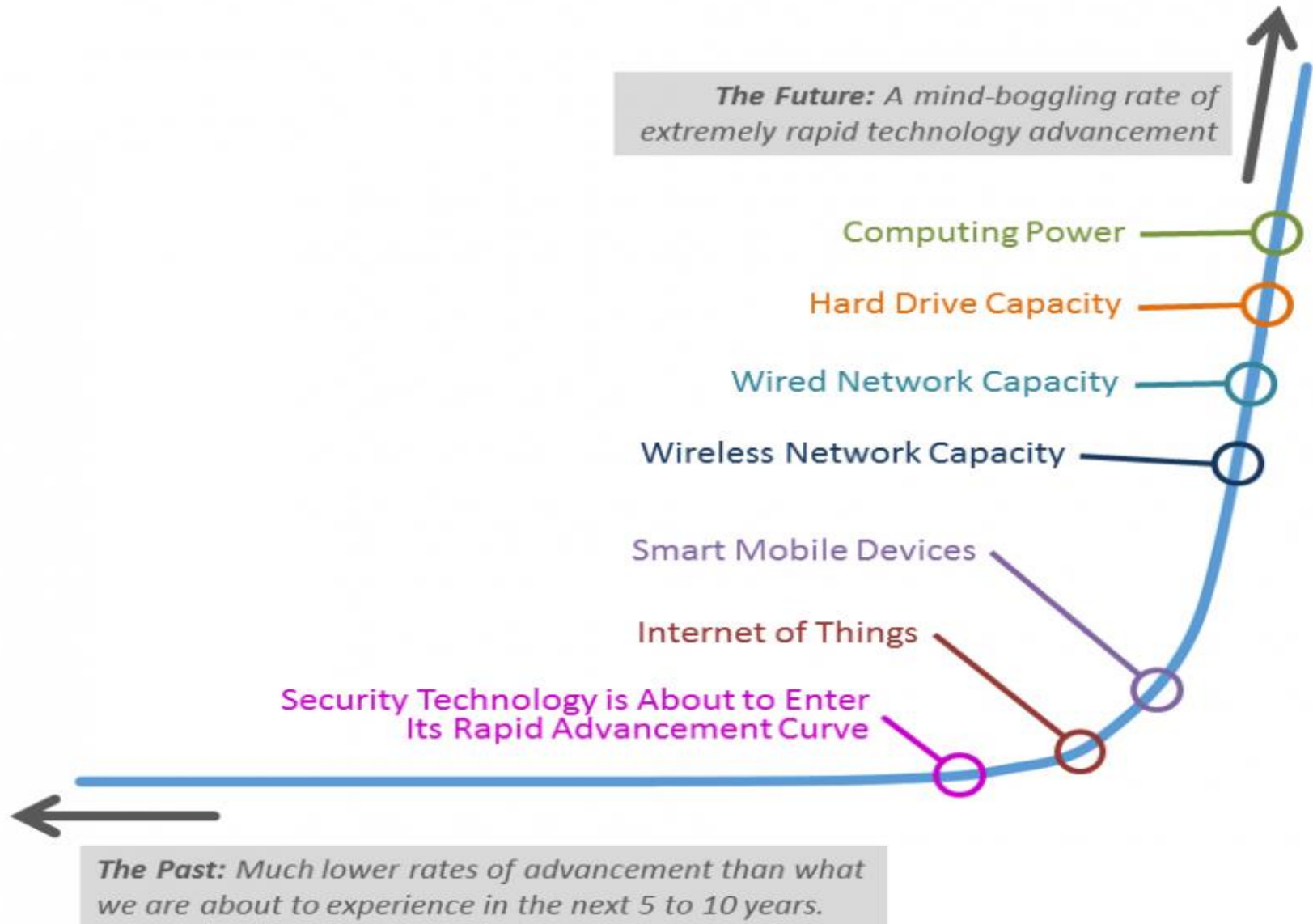
Technology

A close-up, high-magnification photograph of a microchip or integrated circuit. The chip is dark, possibly black or dark blue, and is covered with a complex network of fine, light-colored (likely gold or silver) circuit lines. A prominent feature is a large, rectangular, yellowish-gold pad in the center-left area, surrounded by several parallel lines. The background is blurred, showing more of the chip's surface and some out-of-focus light spots.

Disruptive technologies transform traditional industries

Security Technology Advancement Follows Computing and Communications Technologies Advancement

A 2015 Composite Snapshot of Technology Trend Lines



Key Technological Developments impacting on Life & Funeral Assurance

PHYSICAL

- Advanced robotics
- New Materials
- 3D Printing
- Driverless Cars



DIGITAL

- IOT & Big Data
- Data Analytics
- Platform Economies
- Robo Advice
- Mobile Commerce
- Cognitive Computing
- Artificial Intelligence

ROBO ADVISORS



BIOLOGICAL

- Genetic Engineering
- Personalised healthcare
- DNA Sequencing
- Regenerative medicine
- Robotic Surgery

Mobile commerce



7 Biggest Innovation in Healthcare technology in 2015 & 2016

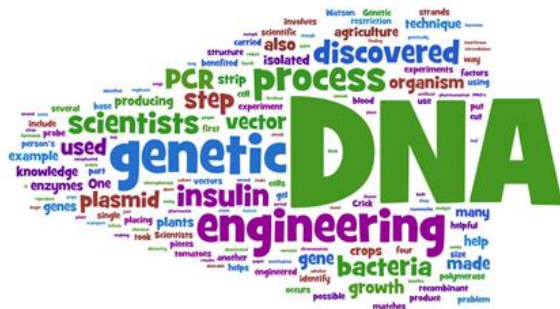
Medical Advances

1. Nanobots at an advanced stage of development
2. Robotic Surgery Simulator (RSS)
3. Blood tests on micro samples of blood ($1/1000^{\text{th}}$ the size of a typical blood draw)
4. Mitochondrial DNA Transfers and their potential applied to genetic conditions
5. 3D Printed Biological Materials
6. Augmenting Human capabilities
7. Digestible sensors and their applications in research, diagnosis and monitoring

Critical Technological Capabilities

Medical Advances

- Innovation and technological advances in healthcare have had a profound impact on longevity and this impacts life & funeral insurance



Genetic engineering



Robotic Surgery Stimulator



The Internet of Things and the Insurance Industry

Wearables and beyond...

Where The Internet of Things
Meets Health, Life Assurance, Funeral Assurance,
& Disability Insurance

Wearables Show Significant Potential to Reduce Workplace Injury, Death

■ Wearables Today Can Monitor:

- Location
- Heart rate
- Temperature  iWatch
- Steps/Exertion
- Sweat
- Sleep 

■ In the Near Future Could Monitor:

- Glucose level
- Oxygen levels
- Pain
- Nausea



■ Ingestibles:

- Body chemistry
- View malignancies
- Detect diseases
- Medication adherence

■ Implantables

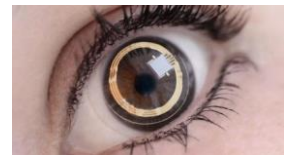
■ Smart Fabrics

■ Virtual Reality

- Computer simulated reality

■ Augmented Reality

- Real world environment supplemented by computer generated inputs



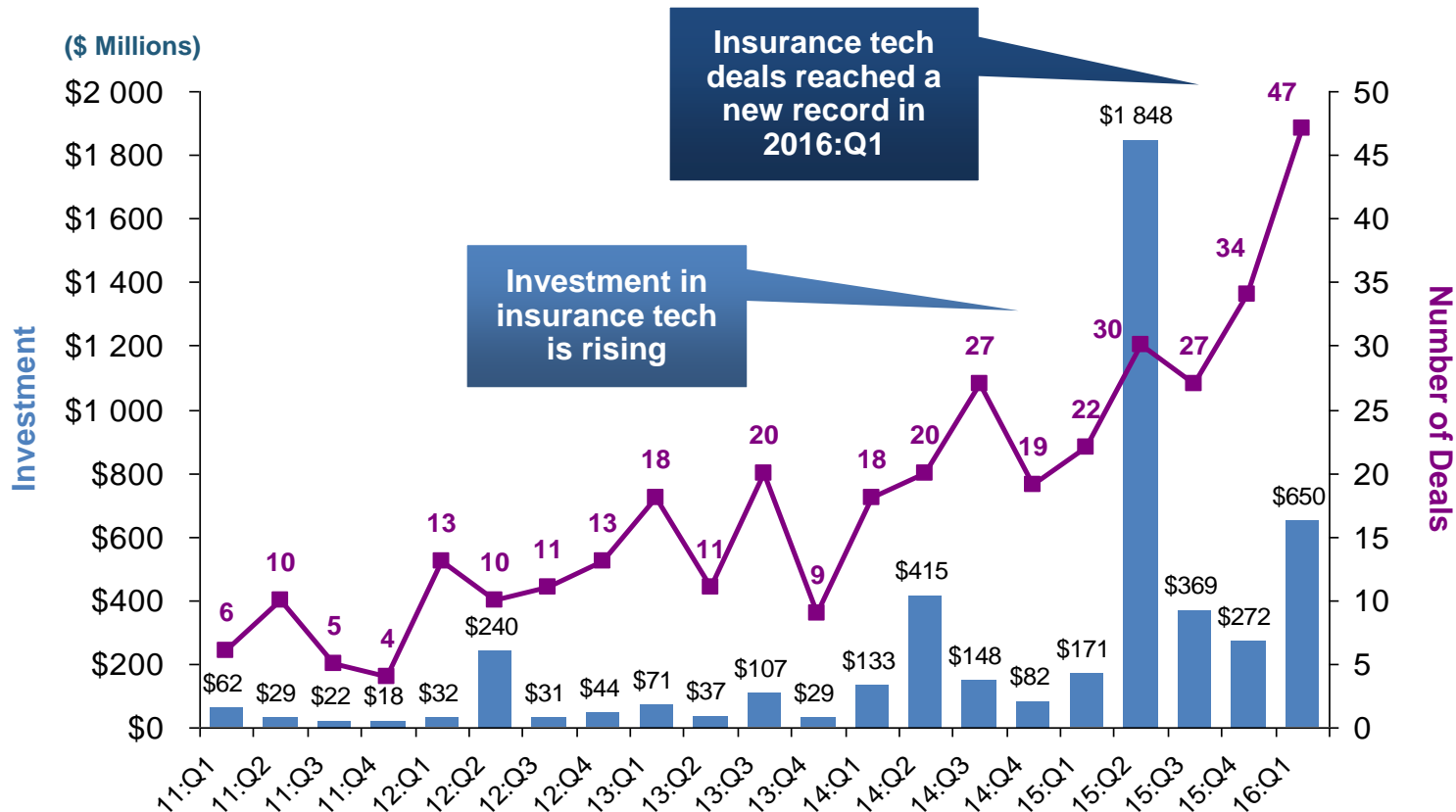
Current Trends in Life & Funeral Assurance

- Longevity – resulting in demand for retirements products
- Population growth increasing the demand for life and Funeral products
- Product pricing – taking more of life staged approach.
- Investments – life staged tailored to cater for good risk management for different age groups
- Increasing Affluence leading to increased demand for wealth protection products.
- New approaches to underwriting models-moving from protection based to preventative models
- Funeral insurance being sold everywhere
- Preference for cash benefits as opposed to services
- Availability of insurance for Chronic diseases like Diabetes & HIV.
- Loyalty Programs enhancing CVP

Insurance Scramble for Africa : South African Insurers in Rest of Africa

| Insurer | Share of Company's New Business in Rest of Africa | Number of African Countries where Company Operates |
|-------------------------|---|--|
| Sanlam | 22% | 12 |
| Old Mutual | 14% | 8 |
| MMI | 6% | 12 |
| Liberty | 3% | 15 |
| Source KPMG 2015 Report | | |

Current Trends Insurance Technology Financing Change Is Coming



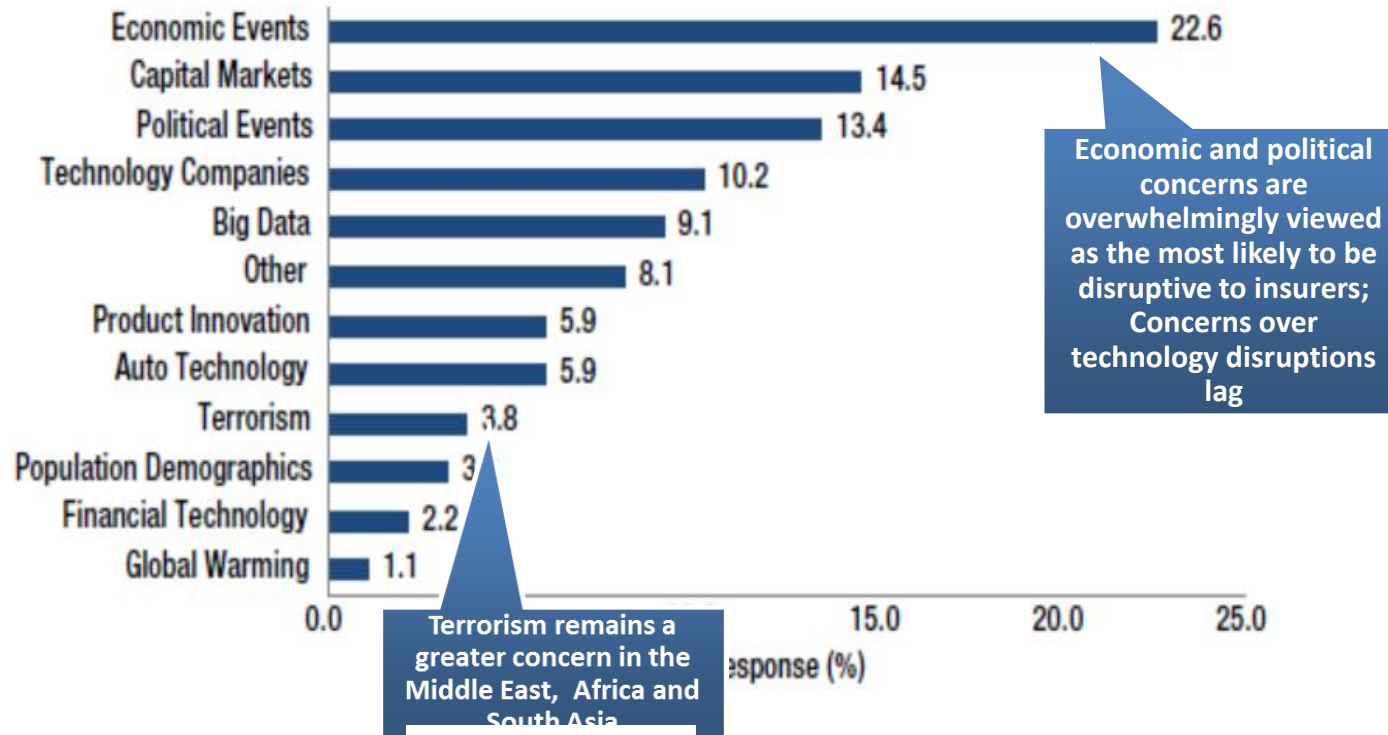
Source: CB Insights at <https://www.cbinsights.com/blog/insurance-tech-overview-q1-2016/>; Insurance Information Institute.

Life & Funeral Assurance in Africa

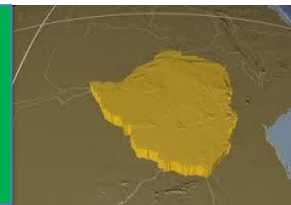
Challenges & Opportunities

- Disruptive technologies & Innovation, and insufficient understanding of disruptive changes
- Increasing Competition
- Economic- stagnation, poverty
- Political environment (Regulatory & legislation changes)
- Changing Demographics & Changing Risk landscape
- Changing Customer Preferences & Distribution Models
- Urbanization & the changing job market
- Globalization
- Digitalization (trailing behind)
- Increasing Connectedness
- Ever increasing rate of change
- Broken Trust
- Lack of Actuarial skills in other markets.
- Legacy Systems

Leading Disruptive Forces for the Insurance Industry Over the Next 5 Years



Economic
Political
Societal



Trends to Watch

- Convergence and the blurring of lines separating provision of products & services
- Backward & Forward Integration by Funeral Services Companies, Life & Funeral Insurance Companies
 - Funeral services companies continue to innovate around services
 - Companies providing funeral cash-benefits eyeing opportunities in provision of funeral services
- Innovations in distribution and agency evolution
- Collaborations across Industries: Network providers, retail, Banks, churches
- Mergers & Acquisitions
- Death of Standalone Financial Services Providers (Banks, Life Insurance companies, Funeral assurance Companies, Retail shops etc)
- More players as non insurers eye distribution of life insurance & Funeral products
- New entrants-Multinationals

Trends to Watch - Disruptors

- Benefit from pervasive use of telematics
- Proactive use of wearable

Major step up in Big Data & Data Analytics-

- In-depth Understanding of clients
- Leading client engagement practices

Superior client experiences

- Robo-Advice
- solutions & Apps

Dominating platform that transcends the globe-leveraging evolving digital ecosystems

- Ecosystem partners to develop superior client value propositions

Suite of solutions that extend beyond insurance

- Leading Loyalty Programs
- Agility
- Robotics and cognitive analytic solutions

The Future

The Next 5 - 10 Years

- Growth in Life insurance market
- Players to increase, increasing options for the customer
- Product selection and pricing to evolve as competition and customer expectation heats up
- Products will continue to evolve as technology, healthcare and customer expectations evolve
- Role of Agents already evolving from pure sales to advisory, sales & service

The Future

Competitive Dynamics for Life & Funeral Assurers

Internet of things (IOT)

Big/small data - Effective big data management and superior risk pricing

Innovate or Die/Be a disruptor rather than being disrupted

Embrace digitalization: Developing digital capabilities is the key for the future of Life & Funeral Assurance (Multichannel)

Tailored Smart/bounder-less Products and Services (Product bundling)

Disruptive business Models - going beyond insurance, Sharing Economy, Collaborations,

Partnerships/alliances/joint ventures, Niche/diversify Moving with Medical advancements and technological developments

Customer evolution:- Unparalleled Customer Experience and disruptive distribution models

The Future

- **Customer Service & Expectations**

The emergence and advances in processing capacity, customer profiling and risk analytics and the doors they are opening for a new generation of 'smart policies'

The Future

- Insurers Need to Operate in a Complex and Rapidly Changing Regulatory Environment
- There is need to develop new generation Leadership
- Setting the right priorities under the “new normal” is key for sustainable profitability
- Anticipate the changing risks & develop prudent risk assessment capabilities using big data & analytics
- New Entrants (Multinationals)
- Rethinking distribution compensation structures



The Future



Insurers that can leverage technology will be better positioned to leverage cross- industry collaborations: **Growth outside the Box**

Emerging Trends- Insuretechs and Fintechs



Top 5 InsurTech Startups in Switzerland





Quid Cover



General Hybrid
Insurance Product



Society of Grownups




Friendsurance



Vitality

Questions to Ask

- How Responsive are you to the changing environment? (Agility)
- What are the right products and services for Life and Funeral
- Assurance in 2020 and beyond?
- How will the future customer be like?
- What are the emerging risks and opportunities?
- What growth strategies are best for the industry?
- What are the best Business Models to employ?
- Do we have the right skills sets?

A marine iguana is shown in profile, facing right, perched on a dark, textured rock. The background is a deep blue gradient. In the upper right, there is a light blue speech bubble containing text. In the lower right, there is a light blue rectangular box containing text. At the bottom, large blue-outlined text spans the width of the image.

It is not the strongest of the species
that survive, nor the most intelligent,
but the one most responsive to
change.

Charles Darwin

Stay on
top of
the
game

Invent the
future,
don't
preserve
the past

**We Can't Predict the Future, BUT
We Can Prepare for It**

Sources of Information

*African Insurance Review | Bank of Mauritius | Bloomberg | NBFIRA |
Business Monitor International | Business Week | CNN | IMF | Kenyan
Insurance Regulatory Authority | Swiss Re | NKC Independent Economists |
World Bank | World Economic Forum | EY
| <http://www.pwc.com/us/en/insurance/publications/assets/pwc-top-issues-the-insurance-industry-2016.pdf> | <https://www.linkedin.com/pulse/insurance-jobs-future-michael-tempany>, Swiss Resigma No 6 /2015*